

CERTIFIED MAIL

EP/EO:T

JUN 10 1993

Dear Applicant.

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for exemption under that Section. Our reasons for this conclusion and the facts on which it is based are explained below.

You were incorporated on [REDACTED], to unite within the membership persons chiefly engaged in the sale, at wholesale, of women's apparel; to institute, or otherwise provide, such fraternal, civic, and social endeavors as may be desired by the membership; to secure and maintain welfare, security, and similar plans and programs for the benefit and protection of the members, their families, and others; and to establish and promote periodic exhibits, shows, or other forums for the benefit of the members. You amended your Articles on [REDACTED] to better reflect the geographic area where you conduct your shows.

Your income is derived from fees charged to your members for participating in your trade shows and membership dues. Your expenses are for the trade shows.

Your membership is limited to sales persons of wholesale apparel. Active members must have traveled the territory on a commission basis for at least two years. Active members are required to show at a minimum of three shows per year or they are automatically suspended. An inactive member pays his/her dues, is not a manufacturer or in management, and does not actively travel the territory. He/she may not vote, nor show at scheduled shows.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
Date	5-27-93	6-7-93	6/7/93	6/10/93			

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 59-391, published in Cumulative Bulletin 1959-2 on page 151 held that an organization composed of individuals, firms, associations, and corporations, each representing a different trade, business, occupations or profession whose purpose is to exchange information on business prospects has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of its members.

Revenue Ruling 58-224, published in Cumulative Bulletin, 1958-1 on page 242, held that an organization which operates a trade show as its sole or principal activity is organized primarily for the purpose of rendering particular services to individuals and is not entitled to exemption from Federal income tax as an organization described as a business league in section 501(c)(6).

Revenue Ruling 67-219, found in Cumulative Bulletin 1967-2, on page 210 discusses the circumstances under which the income from the conduct of an industry trade show by an organization exempt from Federal income tax under section 501(c)(6) will not be subject to the tax imposed by section 511 of the Code.

From the information submitted and which has been cited in this letter, your organization is similar to the organization described in Revenue Ruling 58-224 cited above. Your shows are conducted to provide exhibitors a mart or facility for making sales of their products to persons attending the shows, which are held to be for the direct economic benefit of individuals rather than for the improvement of business conditions for the industry generally.

Revenue Ruling 67-219 is mentioned to show how your organization does not improve the business conditions of one or more lines of business through the promotion of interest in and stimulation of demand for industry products "in general".

Although a certain amount of identification of particular products with the individual exhibitors is necessarily present, the principal effect of the exhibition of products and services in the manner described is the promotion and stimulation of interest in and demand for the exhibited lines of products.

[REDACTED]

You provide a brochure to attendees that lists each of your exhibitors and the lines of apparel they represent with a brief description of each line.

Your shows are conducted in a manner reasonably calculated to promote the individual products of the exhibitors, rather than for the improvement of business conditions for the industry as a whole.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office, if you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone phone number are shown in the heading of this letter.

Sincerely,

[REDACTED]
[REDACTED]
Acting District Director

Enclosure: Publication 892